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IBM's New Rivals

The Banks Move in on American Invsco

B-School Students' Favorite Profs

$2.50 January 25, 1982

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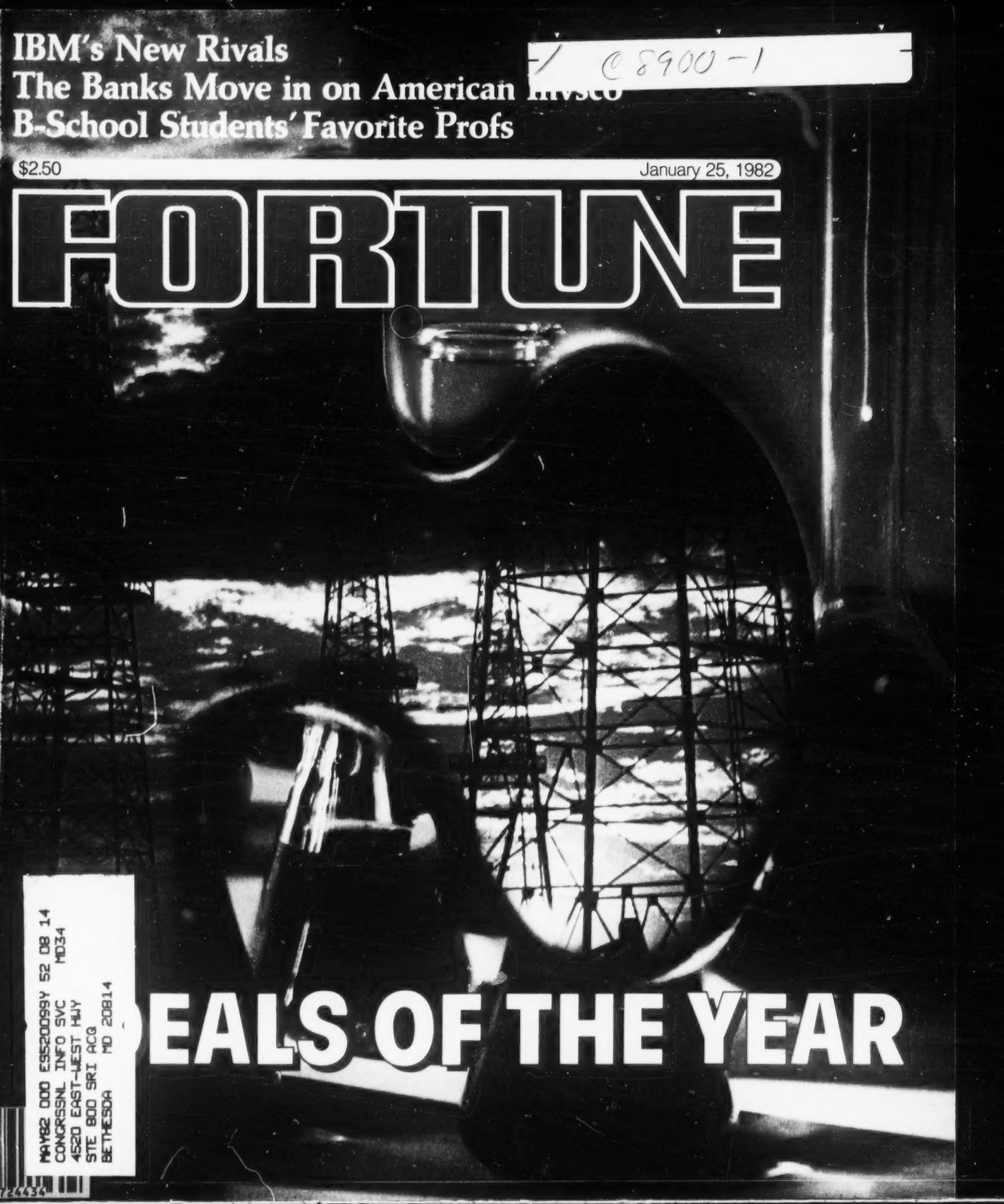

EALS OF THE YEAR

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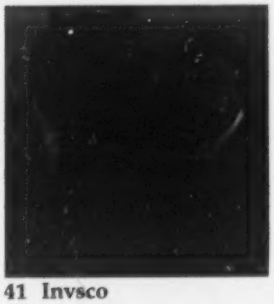
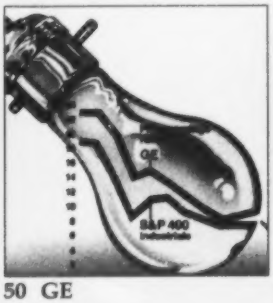
FORTUNE

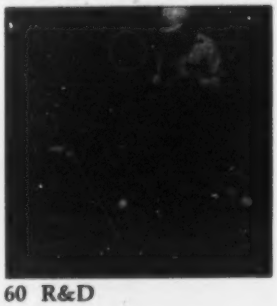
The interlocking oil derricks and chemical flasks on the cover signify the joining together of Conoco and Du Pont in the biggest U.S. corporate deal of 1981 (and of history). Mick Roessler photographed the derricks, H. Armstrong Roberts the flasks. A directory of the year's biggest deals begins on page 36.



41 Invsco



50 GE



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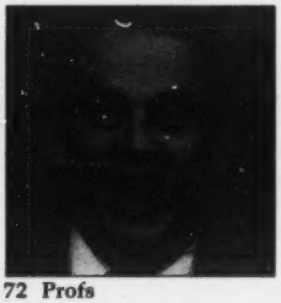

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Seismic contractors are using new technology to turn up oil and gas —and investors.

DIRECTORY

Deals of the Year

Last year was a fabulous one for big deals, for the people who helped make them, and for the shareholders of companies other companies coveted. Du Pont, with 1981 sales approaching $15 billion, brought off the biggest corporate deal in U.S. history when it swooped up Conoco, white-knight fashion, and rode off with the hefty damsel, whose sales are about $5 billion greater than Du Pont's own. The gesture cost Du Pont shareholders $7.2 billion, earned a total of about $29 million for the principals' respective investment-banking firms, and helped kick Conoco's stock up almost 100%.

This FORTUNE directory ranks the 50 biggest deals of 1981 and offers a look at the fees collected by the Wall Street outfits that assisted in bringing them off. Not all deals involved putting two companies together, although the 36 corporate combinations on the list account for $36 billion, or 72%, of the $49.9-billion total for all 50 deals. Two cash tenders that didn't lead to marriage account for an additional $4 billion, and 12 giant public financings for the other $9.9 billion. (See the notes on page 40 for an explanation of the kinds of deals that qualify for the list.)

All the merger activity was, of course, highly controversial. Critics—including unhappy target companies—raised fears about concentration and complained that American managers are too prone to buy assets rather than build new ones. Those charges may be easier for the acquiring companies to cope with than the reaction of the stock market, which was unenthusiastic about a lot of the big buys. Near the end of December, shares of 12 of the 19 publicly owned U.S. acquirers had performed worse than the market since the companies announced their intentions to buy; nine were off by more than 15%, and the median performance was minus 8%.

A shining exception

American Express was a shining exception: its shares have risen nearly 50% since it and Shearson Loeb Rhoades, the brokerage firm, announced they would merge (deal No. 15). Analysts say that's because of the merger's splendid "synergy"—a financial-service company joining an aggressive securities house that could offer cash-management services via the American Express card.

No fewer than 15 mergers on the list involve oil companies, and none figured more prominently than Conoco. In addition to the Du Pont deal, Conoco was involved in three other transactions in the top ten: Dome Petroleum's tender for 20% of Conoco's stock (No. 8), Dome's exchange of that stock plus some cash for Conoco's 53% of Hudson's Bay Oil & Gas (No. 7), and Seagram's tender for Conoco (No. 3) in competition with Mobil and Du Pont, which left the Canadian distiller with almost a third of Conoco's shares.

Most names on the list are those of familiar corporate giants, but a few individuals got on too, most noticeably Marvin Davis, 56, the Denver oil tycoon, who figures twice: first when he sold assets of his Davis Oil Co. (No. 27), and second when he bought Twentieth Century-Fox (No. 23). Another oilman, Samuel R. Goldstein, about 60, a reclusive Missourian who won't give interviews, used the resources of his private oil-trading partnership, Apex Oil (1980 sales: $6.25 billion), to buy Clark Oil & Refining (No. 41).

A standout among the dealmakers is Salim (Sandy) B. Lewis, the managing general partner of a small arbitrage firm. Lewis, 42, came up with the idea of marrying American Express and Shearson. He took the proposal to American Express Chairman James Robinson, an old friend, and then to Sandy Weill, Shearson's chief. Soon Weill and Robinson were talking over the idea. When they got around to discussing Lewis's fee, he says he drew a blank. "I would almost have done the deal for nothing, as a learning experience," he says. But there was no need for that. Sportingly, Robinson and Weill hit on $3.5 million—0.36% of the value of the deal.

In all, mergers on this list generated a total of $144.6 million in fees known to have been paid to financial intermediaries. The median was $2.1 million, and the median percentage of the transaction value was 0.21%. Morgan Stanley was the big winner, garnering about $40 million in fees. Next was First Boston, with nearly $26 million, followed by Lehman Brothers Kuhn Loeb, with close to $15 million. Success counts: when deals fall apart, dealmakers' fees crumble too. For example, First Boston, which got $2.5 million for advising Santa Fe International in its merger with Kuwait Petroleum (No. 4), was promised a consolation prize of only $250,000 had the deal fallen through.

Three deals on the list (Nos. 46, 47, and

48) were engineered by Kohlberg Kravis Roberts & Co., champions of the "leveraged buyout." To pull one off, Kohlberg Kravis, in partnership with institutional investors, buys a company, usually with money that is mostly borrowed. The debt is serviced from the acquired earnings stream. The top managers also generally take an equity stake in the company. Kohlberg's fees—close to 1% in two deals—are as high as any on the list.

Among the public financings, American Telephone & Telegraph raised more than $1.6 billion in two offerings, and the Federal National Mortgage Association (Fannie Mae) raised $8.3 billion in ten debenture offerings. A congressionally chartered private corporation whose shares are listed on the New York Stock Exchange, Fannie Mae uses the money to buy residential mortgages. Fannie Mae's creditors seem oddly unconcerned that the old girl was likely to lose at least $200 million in 1981. —EDWARD MEADOWS

RANK	COMPANY	VALUE (000)	TRANSACTION	% OF BOOK VALUE	INDUSTRY	FINANCIAL INTERMEDIARIES	FEE (000)	FEE AS % OF DEAL
1	DU PONT CONOCO	$7,214,859	Acquisition for cash and common stock, closed 9/30	158%	Chemicals, fibers Oil, gas, and coal	First Boston Morgan Stanley	$15,000 $14,000[a]	.21% .19%[a]
2	ELF AQUITAINE TEXASGULF	$2,741,670	Acquisition of 58% for cash, 9/28[1]	212%	Oil and gas (France) Natural resources	Salomon Brothers Lazard Frères Morgan Stanley	$3,662 N.A. $5,000[a]	.14% N.A. .20%[a]
3	SEAGRAM CONOCO	$2,552,275	Cash tender for 32%, 8/7[2]	171%	Distilling (Canada) Oil, gas, and coal	Shearson Loeb Rhoades Lazard Frères Morgan Stanley	$3,457 $3,457 $1,000	.14% .14% .04%
4	KUWAIT PETROLEUM SANTA FE INTERNATIONAL	$2,500,774	Acquisition for cash, 12/4	370%	Oil and gas (Kuwait) Contract drilling, engineering, and construction	Salomon Brothers Morgan Guaranty Trust First Boston	N.A. N.A. $2,500	N.A. N.A. .19%
5	FLUOR ST. JOE MINERALS	$2,342,940	Acquisition for cash and common stock, 8/3	190%	Engineering and construction Mining	Lehman Brothers Kuhn Loeb Smith Barney Harris Upham First Boston	$5,000 $3,000 $1,000	.21% .15% .19%
6	STANDARD OIL OF OHIO KENNECOTT	$1,787,590	Acquisition for cash, 6/4	123%	Oil and gas Copper, metal products	Goldman Sachs Morgan Stanley	N.A. $750	N.A. .04%
7	DOME PETROLEUM HUDSON'S BAY OIL & GAS	$1,575,000	Acquisition of 53% from Conoco for cash and Conoco common stock, 6/10	531%	Oil and gas (Canada) Oil and gas (Canada)	Shearson Loeb Rhoades Morgan Stanley (advised Conoco)	$2,000 See footnote[3]	.12%
8	DOME PETROLEUM CONOCO	$1,450,000	Cash tender for 20%, 8/3	147%	Oil and gas (Canada) Oil, gas, and coal	Shearson Loeb Rhoades Morgan Stanley	See footnote[4] See footnote[3]	
9	FEDERAL NATIONAL MORTGAGE ASSOCIATION	$1,300,000	Offering of 13.9% debentures due 1986, 12/10		Mortgage holder	Various dealers	$2,000	.59%
10	FEDERAL NATIONAL MORTGAGE ASSOCIATION	$1,200,000	Offering of 14.1% debentures due 1986, 11/16		Mortgage holder	Various dealers	$2,100	.19%

THE DEFINITIONS AND CONCEPTS UNDERLYING THE FIGURES IN THIS DIRECTORY ARE EXPLAINED ON PAGE 40.

[a] Fortune estimate.
N.A. Not available.

[1] Elf will acquire the remaining 35% in 1982 from Canada Development Corp.
[2] Seagram later exchanged its Conoco stock for 20% of Du Pont.
[3] Fee included in figure for Du Pont-Conoco deal.
[4] Fee included in figure for Dome Petroleum-Hudson's Bay Oil & Gas deal.

Deals of the Year

RANK	COMPANY	VALUE (000)	TRANSACTION	% OF BOOK VALUE	INDUSTRY	FINANCIAL INTERMEDIARIES	FEE (000)	FEE AS % OF DEAL
11	AMERICAN TELEPHONE & TELEGRAPH	$1,034,550	Offering of 18,150,000 shares of common stock at $57, 6/10	99%	Telecommunications	Morgan Stanley,* Goldman Sachs, E.F. Hutton, Kidder Peabody, Merrill Lynch White Weld	$38,133	3.7%
12	FEDERAL NATIONAL MORTGAGE ASSOCIATION	$1,000,000	Offering of 13% debentures due 1988, 1/12		Mortgage holder	Various dealers	$2,500	.25%
13	FEDERAL NATIONAL MORTGAGE ASSOCIATION	$1,000,000	Offering of 18% debentures due 1993, 9/10		Mortgage holder	Various dealers	$1,300	.13%
14	FEDERAL NATIONAL MORTGAGE ASSOCIATION	$1,000,000	Offering of 17.2% debentures due 1984, 10/13		Mortgage holder	Various dealers	$1,500	.15%
15	AMERICAN EXPRESS	$886,921	Acquisition by exchange of common stock, 6/29	329%	Financial services	Salomon Brothers S.B. Lewis & Co.	$500 $1,750	.09% .19%
	SHEARSON LOEB RHOADES				Securities	S.B. Lewis & Co. Bear Stearns	$1,750 $360	.19% .04%
16	CANADIAN PACIFIC ENTERPRISES	$812,130	Acquisition for cash, 10/1	N.A.	Paper products (Canada)	Salomon Brothers	N.A.	N.A.
	CANADIAN INTERNATIONAL PAPER (International Paper)				Paper products	None	—	—
17	MIDLAND BANK	$620,000[1]	Acquisition of 57% for cash, 10/15[1]	188%	Commercial banking (Britain)	Lazard Frères Salomon Brothers	$2,000 $2,000	.34% .34%
	CROCKER NATIONAL				Commercial banking	Lehman Brothers Kuhn Loeb Dean Witter Reynolds	$2,970 $400	.39% .05%
18	NABISCO	$783,828[2]	Merger by exchange of common stock to form Nabisco Brands, 7/6	119%	Food products	Morgan Stanley	$3,000	.38%
	STANDARD BRANDS				Food products	Lehman Brothers Kuhn Loeb	$3,000	.38%
19	OCCIDENTAL PETROLEUM	$770,330	Acquisition by exchange of common stock, 9/12	340%	Oil and gas	Donaldson Lufkin & Jenrette	$750	.10%
	IOWA BEEF PROCESSORS				Meat processing	Goldman Sachs	$400	.05%
20	FEDERAL NATIONAL MORTGAGE ASSOCIATION	$700,000	Offering of 17% debentures due 1985, 8/17		Mortgage holder	Various dealers	$1,050	.15%
21	PENN CENTRAL	$660,000	Acquisition for cash, 8/14	331%	Energy, recreation, real estate	Lazard Frères Lehman Brothers Kuhn Loeb	$2,750 $625	.39% .09%
	GK TECHNOLOGIES				Wire and cable	Morgan Stanley Blyth Eastman Paine Webber	$3,000 $400	.46% .06%
22	GL CORP. (owned by the Pritzker family)	$660,213	Acquisition for cash, 2/10	196%	Metal manufacturing	N.A.	N.A.	N.A.
	TRANS UNION				Railcar leasing	Salomon Brothers	$950	.07%
23	TCF HOLDINGS (owned by Marvin Davis)	$634,934	Acquisition for cash, 6/12	226%	(New company)	Salomon Brothers	$5,000[3]	.73%[3]
	TWENTIETH CENTURY-FOX FILM				Motion pictures	Lehman Brothers Kuhn Loeb Dillon Read Kidder Peabody	$950 $500 $500	.13% .09% .09%
24	COOPER INDUSTRIES	$573,449	Acquisition by exchange of common stock, 4/29	279%	Oil-and-gas equipment, tools	Lehman Brothers Kuhn Loeb	$2,117	.31%
	CRYOLIFE-HINDS				Electrical equipment	Lazard Frères	$2,000	.37%
25	HOSPITAL CORP. OF AMERICA	$560,000	Acquisition for cash and common stock, 9/30	431%	Hospital management	None	—	—
	HOSPITAL AFFILIATES INTERNATIONAL (HAI)				Hospital management	Goldman Sachs	N.A.	N.A.

* Fortune estimate.
N.A. Not available.
*Lead manager.

[1] Acquired 51% in 1981. Value includes price of additional 6% to be purchased by 1985.
[2] Valued as if Standard Brands were the acquired firm.

RANK	COMPANY	VALUE (000)	TRANSACTION	% OF BOOK VALUE	INDUSTRY	FINANCIAL INTERMEDIARIES	FEE (000)	FEE AS % OF DEAL
26	WESTINGHOUSE BROADCASTING (Westinghouse Electric) TELEPROMPTER	$647,039	Acquisition for cash, 6/15	438%	Broadcasting Cable television	Lehman Brothers Kuhn Loeb Allen & Co.	N.A. $800	N.A. .12%
27	HOME PETROLEUM (Hiram Walker Resources) OIL AND GAS PROPERTIES OF DAVIS OIL (owned by Marvin Davis)	$650,000	Acquisition for cash, 9/11	N.A.	Oil and gas (Canada) Oil and gas	Morgan Stanley None	N.A. —	N.A. —
28	SEARS ROEBUCK DEAN WITTER REYNOLDS	$600,000[a]	Acquisition for cash and common stock, 12/31	264%[a]	Retailing Securities	Goldman Sachs None	$2,000 —	.33%[a] —
29	AMERICAN TELEPHONE & TELEGRAPH	$600,000	Offering of 13.38% notes due 1991, 2/17		Telecommunications	Salomon Brothers*, Bache Halsey Stuart Shields, Blyth Eastman Paine Webber, First Boston, Lehman Brothers Kuhn Loeb, Merrill Lynch White Weld	$3,950	.65%
30	FEDERAL NATIONAL MORTGAGE ASSOCIATION	$600,000	Offering of 15.29% debentures due 1985, 7/10		Mortgage holder	Various dealers	$1,060	.18%
31	STANDARD OIL OF OHIO COAL PROPERTIES OF U.S. STEEL	$600,000	Acquisition for cash, 9/30	N.A.	Oil and gas Coal mining	None None	— —	— —
32	CSR DELHI INTERNATIONAL OIL	$591,150	Acquisition for cash, 11/20	1908%	Diversified resources (Australia) Oil and gas in Australia	First Boston Morgan Stanley	$1,500 $3,530	.22% .60%
33	PHIBRO SALOMON BROTHERS	$560,000	Acquisition for cash and debentures, 1/11	247%	Commodity trading Securities	Lazard Frères None	N.A. —	N.A. —
34	ONTARIO ENERGY RESOURCES (Ontario Energy Corporation) SUNCOR (Sun)	$343,460	Acquisition of 25% for cash and notes, 12/20	N.A.	Oil and gas (Canada) Oil and gas (Canada)	McLeod Young Weir Warburg Paribas Becker	N.A. N.A.	N.A. N.A.
35	ALLEGHENY INTERNATIONAL SUNBEAM	$327,992[a]	Acquisition for cash and preferred stock, 12/31	132%[a]	Specialty metals, industrial products Household appliances	First Boston Morgan Stanley	$3,000 $2,500	.57%[a] .49%[a]
36	CATERPILLAR TRACTOR SOLAR TURBINES INTERNATIONAL (International Harvester)	$305,000	Acquisition for cash, 7/31	N.A.	Earthmoving machinery Turbomachinery	Goldman Sachs Lehman Brothers Kuhn Loeb	N.A. N.A.	N.A. N.A.
37	FEDERAL NATIONAL MORTGAGE ASSOCIATION	$300,000	Offering of 14.59% debentures due 1985, 3/10		Mortgage holder	Various dealers	$975	.18%
38	FEDERAL NATIONAL MORTGAGE ASSOCIATION	$300,000	Offering of 13.79% debentures due 1986, 4/10		Mortgage holder	Various dealers	$975	.18%
39	FEDERAL NATIONAL MORTGAGE ASSOCIATION	$300,000	Offering of 14.9% debentures due 1984, 6/10		Mortgage holder	Various dealers	$750	.18%
40	GRAND METROPOLITAN INTERCONTINENTAL HOTELS (Pan American World Airways)	$300,000	Acquisition for cash, 6/10	430%	Hotels (Britain) Hotels	Citibank Douglas Ellman Knight Frank Smith Barney Harris Upham Lehman Brothers Kuhn Loeb	N.A. $1,000 N.A. N.A.	N.A. .30% N.A. N.A.

Deals of the Year

RANK	COMPANY	VALUE ($000)	TRANSACTION	% OF BOOK VALUE	INDUSTRY	FINANCIAL INTERMEDIARIES	FEE ($000)	FEE AS % OF DEAL
41	APEX OIL	$478,125	Acquisition of 90% for cash, 10/30[7]	233%	Petroleum trading	Merrill Lynch White Weld	$750	.16%
	CLARK OIL & REFINING				Petroleum refining	Lehman Brothers Kuhn Loeb	N.A.	N.A.
42	GENERAL FOODS	$465,117	Acquisition for cash, 8/8	153%	Food products	Lehman Brothers Kuhn Loeb	N.A.	N.A.
	OSCAR MAYER				Meat processing	Morgan Stanley	$2,400	.52%
43	SULPETRO	$460,168	Acquisition of 95% for cash, 4/3	598%	Oil and gas (Canada)	None	—	—
	CANSEL OIL (St. Joe Minerals)				Oil and gas (Canada)	Smith Barney Harris Upham First Boston	See footnote[8]	
44	DART & KRAFT	$458,000	Acquisition for cash, 4/29	201%	Food and dairy products	Goldman Sachs	$1,250	.27%
	HOBART				Food equipment	Merrill Lynch White Weld	$3,400	.75%
45	FREEPORT MINERALS	$456,823[9]	Merger by exchange of common stock to form Freeport-McMoRan, 4/7	1099%	Mining	First Boston	$200	.04%
	McMORAN OIL & GAS				Oil and gas	Lazard Frères	$1,250	.27%
46	AMERICAN FOREST PRODUCTS (formed by Kohlberg Kravis Roberts)	$455,000	Acquisition of 90% for cash, 1/27	N.A.	(New company)	Kohlberg Kravis Roberts	N.A.	N.A.
	SENDIK FOREST PRODUCTS (Sendik)				Forest products	Lehman Brothers Kuhn Loeb	N.A.	N.A.
47	NORINO HOLDINGS (formed by Kohlberg Kravis Roberts)	$430,000	Acquisition for cash, 10/9	193%	(New company)	Kohlberg Kravis Roberts	$4,000	.66%
	NORRIS INDUSTRIES				Building and remodeling	Goldman Sachs	$2,991	.71%
48	FM ACQUISITION and FRED MEYER REAL ESTATE PROPERTIES (formed by Kohlberg Kravis Roberts)	$420,000	Acquisition for cash, 12/11	213%	(New companies)	Kohlberg Kravis Roberts	$4,500	1.1%
	FRED MEYER				Retailing	Kidder Peabody Merrill Lynch White Weld	$4,650 $300	1.1% .09%
49	TENNECO	$417,000	Acquisition by exchange of common stock, 4/24	132%	Oil and gas	Morgan Stanley	$3,350	.78%
	HOUSTON OIL & MINERALS				Oil, gas, and minerals	Merrill Lynch White Weld Eppler Guerin & Turner	$6,000[10]	1.4%[10]
50	NATOMAS	$413,047	Acquisition of 92.5% for cash[11]	537%	Oil and gas	Warburg Paribas Becker	$1,700	.41%
	MAPCO				Geothermal resources	Drexel Burnham Lambert Smith Barney Harris Upham	N.A. N.A.	N.A. N.A.

[8] Fortune estimate.
N.A. Not available.

[7] Apex had previously purchased 10%.
[9] Fees included in figures for Fluor-St. Joe deal.
[9] Valued as if McMoran Oil & Gas were the acquired firm.

[10] Includes fees for advice on conveyance of royalty interests to Houston Oil Trust.
[11] Natomas had previously purchased 7.5%.

EXPLANATORY NOTES

Deals eligible for the list include:

1. U.S. public offerings of securities (except short-term securities) by domestic and foreign corporations issued under a single prospectus or offering circular.
2. Cash tender offers by domestic corporations or by foreign corporations tendering in the U.S., including those of companies buying in their own stock.
3. Mergers or acquisitions in which the buyer and/or seller is a U.S. company (or part of one). To be eligible, offerings must be effective in 1981 and tender offers must have expired during the year. Mergers and acquisitions are eligible if legally closed during the year or, when not legally closed, if the prospective buyer has paid a portion of the purchase price in cash during the year.

The list excludes short-term financings and financings other than public offerings—such as bank borrowings and private placements.

COMPANY: In the case of mergers and acquisitions, the buyer is listed first. When two companies merge through an exchange of stock to form a new company, the company whose stockholders received the largest share of the new company is treated as the buyer. When the buyer or seller is a subsidiary, the parent's name is given in brackets.

VALUE: Amounts for cash offerings are the total amounts raised; for tenders, the total amount paid. All securities issued in acquisitions or mergers are valued at the market price on the date of closing. If not closed, valuations are for December 18 (and those of new securities are estimated). Exception: when a new company is formed by merger, only those shares issued to stockholders of the smaller company, as explained under COMPANY, are valued.

TRANSACTION: Dates under this heading are effective dates for offerings, expiration dates for tenders, and closing dates for acquisitions and mergers. When no date is indicated, the deal has not closed.

PERCENT OF BOOK VALUE: Book-value calculations indicate the price paid (or amount of equity capital raised) per share as a percentage of the shareholders' equity per share of the acquired company (or issuer) at the end of the last quarter preceding the transaction.

FINANCIAL INTERMEDIARIES: For underwritten public offerings, the co-managers are listed and the lead manager is indicated by an asterisk. In the case of acquisitions and mergers, the intermediaries are typically investment-banking firms that assisted in the transaction.

FEE: The figures represent the amounts charged by the financial intermediaries assisting in the deals. In underwritings, part of the fee is paid to other members of the underwriting syndicate or to dealers other than the co-managers.

THE DATA IN THIS DIRECTORY WERE PREPARED BY REPORTER SARAH BARTLETT.